

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Cedar Springs Area Parks and Rec. Board	County Kent
Audit Date 6/30/03	Opinion Date 2/9/05	Date Accountant Report Submitted to State: 3/11/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	ZIP 49002-5599
Accountant Signature 		Date 3/11/05	

Cedar Springs Area Parks and Recreation Board
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Years ended June 30, 2003, 2002, and 2001

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined balance sheet - General Fund and General Fixed Asset Account Group:	
June 30, 2003	4
June 30, 2002	5
June 30, 2001	6
Statement of revenues, expenditures, and changes in fund balance - budget and actual - General Fund	
Year ended June 30, 2003	7
Year ended June 30, 2002	8
Year ended June 30, 2001	9
Notes to financial statements	10 - 11
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT	12

INDEPENDENT AUDITORS' REPORT

**Members of the Board
Cedar Springs Area Parks and Recreation Board**

We have audited the accompanying general purpose financial statements of the Cedar Springs Area Parks and Recreation Board as of and for the years ended June 30, 2003, 2002, and 2001. These general purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Cedar Springs Area Parks and Recreation Board as of June 30, 2003, 2002, and 2001, and the results of its operations for the years then ended in conformity with U.S. generally accepted accounting principles.

Siegfried Crandall P.C.

February 9, 2005

GENERAL PURPOSE FINANCIAL STATEMENTS

Cedar Springs Area Parks and Recreation Board**COMBINED BALANCE SHEET - General Fund and General Fixed Asset Account Group**

June 30, 2003

	<u>General Fund</u>	<u>General Fixed Asset Account Group</u>	<u>Totals</u>
ASSETS			
Cash	\$ 3,989	\$ -	\$ 3,989
Fixed assets	<u>-</u>	<u>6,895</u>	<u>6,895</u>
TOTAL ASSETS	<u>\$ 3,989</u>	<u>\$ 6,895</u>	<u>\$ 10,884</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accrued payroll taxes	<u>\$ 1,785</u>	<u>\$ -</u>	<u>\$ 1,785</u>
FUND EQUITY:			
Investment in general fixed assets	-	6,895	6,895
Fund balance - unreserved, undesignated	<u>2,204</u>	<u>-</u>	<u>2,204</u>
Total fund equity	<u>2,204</u>	<u>6,895</u>	<u>9,099</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,989</u>	<u>\$ 6,895</u>	<u>\$ 10,884</u>

See notes to financial statements

Cedar Springs Area Parks and Recreation Board**COMBINED BALANCE SHEET - General Fund and General Fixed Asset Account Group***June 30, 2002*

	<u>General Fund</u>	<u>General Fixed Asset Account Group</u>	<u>Totals</u>
ASSETS			
Cash	\$ 5,081	\$ -	\$ 5,081
Deposit - payroll taxes	552	-	552
Fixed assets	<u>-</u>	<u>6,895</u>	<u>6,895</u>
 TOTAL ASSETS	 <u>\$ 5,633</u>	 <u>\$ 6,895</u>	 <u>\$ 12,528</u>
 LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accrued payroll	<u>\$ 2,923</u>	<u>\$ -</u>	<u>\$ 2,923</u>
 FUND EQUITY:			
Investment in general fixed assets	-	6,895	6,895
Fund balance - unreserved, undesignated	<u>2,710</u>	<u>-</u>	<u>2,710</u>
 Total fund equity	 <u>2,710</u>	 <u>6,895</u>	 <u>9,605</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 5,633</u>	 <u>\$ 6,895</u>	 <u>\$ 12,528</u>

See notes to financial statements

Cedar Springs Area Parks and Recreation Board**COMBINED BALANCE SHEET - General Fund and General Fixed Asset Account Group**

June 30, 2001

	<u>General Fund</u>	<u>General Fixed Asset Account Group</u>	<u>Totals</u>
ASSETS			
Cash	\$ 3,833	\$ -	\$ 3,833
Fixed assets	<u>-</u>	<u>6,895</u>	<u>6,895</u>
TOTAL ASSETS	<u>\$ 3,833</u>	<u>\$ 6,895</u>	<u>\$ 10,728</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	\$ 362	\$ -	\$ 362
Accrued expenses	<u>278</u>	<u>-</u>	<u>278</u>
TOTAL LIABILITIES	<u>640</u>	<u>-</u>	<u>640</u>
FUND EQUITY:			
Investment in general fixed assets	-	6,895	6,895
Fund balance - unreserved, undesignated	<u>3,193</u>	<u>-</u>	<u>3,193</u>
Total fund equity	<u>3,193</u>	<u>6,895</u>	<u>10,088</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,833</u>	<u>\$ 6,895</u>	<u>\$ 10,728</u>

See notes to financial statements

Cedar Springs Area Parks and Recreation Board
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - General Fund
Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Local unit contributions:			
City of Cedar Springs	\$ 5,000	\$ 5,000	\$ -
Cedar Springs Public Schools	2,000	2,000	-
Township of Algoma	3,000	3,000	-
Township of Nelson	3,000	3,000	-
Township of Solon	3,000	3,000	-
Total local unit contributions	16,000	16,000	-
Charges for services - recreation fees	40,000	27,147	(12,853)
Other	412	1,489	1,077
Total revenues	56,412	44,636	(11,776)
EXPENDITURES:			
Recreation and cultural:			
Program costs	22,000	14,730	7,270
Personnel costs	28,475	23,108	5,367
Rent	3,050	2,650	400
Occupancy	830	630	200
Insurance	1,100	1,104	(4)
Other	2,702	2,920	(218)
Total expenditures	58,157	45,142	13,015
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,745)	(506)	1,239
FUND BALANCE - BEGINNING OF YEAR	2,710	2,710	-
FUND BALANCE - END OF YEAR	\$ 965	\$ 2,204	\$ 1,239

See notes to financial statements

Cedar Springs Area Parks and Recreation Board
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - General Fund
Year ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Local unit contributions:			
City of Cedar Springs	\$ 6,000	\$ 8,000	\$ 2,000
Cedar Springs Public Schools	2,000	-	(2,000)
Township of Algoma	2,000	5,000	3,000
Township of Nelson	2,000	5,000	3,000
Township of Solon	2,500	5,500	3,000
Total local unit contributions	14,500	23,500	9,000
Charges for services - recreation fees	66,450	33,606	(32,844)
Other	900	1,418	518
Total revenues	81,850	58,524	(23,326)
EXPENDITURES:			
Recreation and cultural:			
Program costs	36,400	27,865	8,535
Personnel costs	23,600	20,340	3,260
Professional services	1,100	3,000	(1,900)
Rent	2,400	2,200	200
Occupancy	1,700	1,514	186
Insurance	1,200	1,088	112
Other	5,860	3,000	2,860
Total expenditures	72,260	59,007	13,253
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,590	(483)	(10,073)
FUND BALANCE - BEGINNING OF YEAR	3,193	3,193	-
FUND BALANCE - END OF YEAR	\$ 12,783	\$ 2,710	\$ (10,073)

See notes to financial statements

Cedar Springs Area Parks and Recreation Board
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - General Fund
Year ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Local unit contributions:			
City of Cedar Springs	\$ 6,000	\$ 6,000	\$ -
Cedar Springs Public Schools	2,000	2,000	-
Township of Algoma	2,000	2,000	-
Township of Nelson	2,000	2,000	-
Township of Solon	2,000	2,000	-
Total local unit contributions	14,000	14,000	-
Charges for services - recreation fees	55,355	55,089	(266)
Other	3,400	3,270	(130)
Total revenues	72,755	72,359	(396)
EXPENDITURES:			
Recreation and cultural:			
Program costs	29,000	35,116	(6,116)
Personnel costs	28,365	22,013	6,352
Professional services	15,000	15,203	(203)
Rent	2,100	2,250	(150)
Occupancy	1,700	1,384	316
Insurance	1,200	1,087	113
Other	7,260	4,182	3,078
Total expenditures	84,625	81,235	3,390
DEFICIENCY OF REVENUES OVER EXPENDITURES	(11,870)	(8,876)	2,994
FUND BALANCE - BEGINNING OF YEAR	12,069	12,069	-
FUND BALANCE - END OF YEAR	\$ 199	\$ 3,193	\$ 2,994

See notes to financial statements

Cedar Springs Area Parks and Recreation Board
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Cedar Springs Area Parks and Recreation Board (the Board) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Board. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Board exercises oversight responsibility. The Board is not considered a component unit of any other governmental unit.

These financial statements include all the operations of the Board, a municipal joint venture. The Board was created in January 1986 as a public authority formed under Public Act 156 of the Public Acts of 1917. The five members of the authority include the City of Cedar Springs, Cedar Springs Public Schools, and the Townships of Algoma, Nelson, and Solon. The Board was established for the purpose of planning and administering a system of public recreation, playgrounds, and parks or other recreational facilities for the citizens of its member municipal units. Costs of operations and capital expenditures are supported by contributions from the member units and fees from recreational programs.

b) Basis of presentation:

The accounts of the Board are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The operations of each are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. The fund and account group are described as follows:

General Fund - this fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

General Fixed Asset Account Group - this account group presents the fixed assets of the Board utilized in its general operations.

c) Basis of accounting:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Board prepares its financial statements on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized when the related liability is incurred (when the goods or services are received) rather than when paid.

Cedar Springs Area Parks and Recreation Board
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Budgets and budgetary accounting:

The Board follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978), as prescribed by the State of Michigan. The budget is adopted at the functional level and is consistent with generally accepted accounting principles.

e) Fixed assets:

Fixed assets used in operations are accounted for in the General Fixed Asset Account Group, rather than in the General Fund. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

NOTE 2 - CASH:

The Board's bank deposit is carried at cost. Michigan Compiled Laws, Section 129.91, authorizes the Board to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Board's deposit is in accordance with statutory authority.

At June 30, 2003, 2002, and 2001, the Board had a deposit with a carrying amount of \$3,989, \$5,081, and \$3,833 and a bank balance of \$2,471, \$5,821, and \$4,181, respectively. The bank balance is covered by federal depository insurance.

NOTE 3 - GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	<i>Balance July 1, 2000</i>	<i>Additions</i>	<i>Dispositions</i>	<i>Balance June 30, 2003</i>
Office furniture	\$1,800	\$ -	\$ -	\$1,800
Office equipment	<u>5,095</u>	<u>-</u>	<u>-</u>	<u>5,095</u>
	<u>\$6,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,895</u>

NOTE 4 - RISK MANAGEMENT:

The Board is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Board has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past fiscal years.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL RELATED
MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT**

**Members of the Board
Cedar Springs Area Parks and Recreation Board**

In planning and performing our audits of the general purpose financial statements of the Cedar Springs Area Parks and Recreation Board for the years ended June 30, 2003, 2002, and 2001, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Board's ability to initiate, record, process, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions.

- Policies and procedures to perform accurate and timely bank reconciliations were not in place.
- Policies and procedures to ensure timely payment and reporting of payroll taxes were ineffective.

We consider the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal controls that we have reported to management of the Board in a separate letter dated February 25, 2005.

This report is intended solely for the information and use of management, the Board, and the Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

Sigfried Crandall P.C.

February 9, 2005

February 25, 2005

**Members of the Board
Cedar Springs Area Parks and Recreation Board**

In planning and performing our audits of the financial statements of the Cedar Springs Area Parks and Recreation Board for the years ended June 30, 2003, 2002, and 2001, we considered the Board's system of internal controls to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

However, during our audits we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our reports dated February 9, 2005, on the financial statements of the Cedar Springs Area Parks and Recreation Board.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Board's management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

Siegfried Crandall P.C.

COMMENTS AND RECOMMENDATIONS

Revocation of not-for-profit status

The Board is recognized as a local unit of government by the State of Michigan. In addition, the Board received tax-exempt status from the Internal Revenue Service in June 1996 under Internal Revenue Code Section 501 (c) (4). The Board should evaluate whether the benefits of this tax-exempt status exceed the costs associated with it. Recognition under this particular code section causes the Board to be required to file a Form 990 on an annual basis and pay federal unemployment taxes. Most importantly, donors may not deduct contributions made directly to the Board. We recommend that the Board consider revocation of its tax-exempt status. The benefits of revocation follow:

- Donors will be able to deduct contributions made to the Board because the Board is recognized exclusively as a local unit of government
- Filing of the Form 990 will no longer be required
- Liability for federal unemployment taxes will cease, saving at least \$100

Payroll tax reporting and deposits

The Board failed to file certain payroll tax returns in a timely manner and several payroll tax deposits were late. Because of these errors, substantial penalties were assessed against the Board by the Internal Revenue Service. Fortunately, the Internal Revenue Service has abated these penalties primarily due to the efforts of one of the Board's members.

We recommend that the Board establish a system of controls to ensure the timely deposit of payroll taxes and filing of payroll tax returns. This system should include monitoring by a member or committee of the Board.

Management has agreed to this recommendation and it has been implemented.

Reconciliation of cash balance

Bank reconciliations were not accurate nor were they performed in a timely manner. This procedure must be performed to ensure the accuracy and completeness of all cash transactions and balances. This procedure also provides an essential check and balance on the cash receipts and disbursements functions.

We recommend that the Director prepare accurate bank reconciliations in a timely manner on a monthly basis. In addition, a member or committee of the Board could review and approve the reconciliations. Accurate and timely financial information is essential because it provides the ability to make meaningful decisions and judgments.

Management has agreed to this recommendation and it has been implemented.

COMMENTS AND RECOMMENDATIONS

Disbursements

Our review of the Board's cash disbursements indicated that certain checks lacked evidence of authorization and appropriate support.

We recommend that a member or committee of the Board review all disbursements for adequate support prior to authorization of the disbursement by the entire Board. In addition, two signatures should be required on all checks.

Recreation fees

Recreation fees represent the majority of the Board's revenues. However, adequate controls have not been established to monitor the accuracy of the revenues recorded. The revenue and expenditure information of some of the programs tested did not agree with the underlying accounting records. In addition, recreation fees are frequently collected in the form of currency, which is susceptible to misappropriation.

We recommend that a record of the number of participants, by program, be maintained by the instructors to enable a predictive test that would support the revenues recorded. Such a control procedure would allow enhanced monitoring of the recreation fee revenues. This control may also deter the potential for fraud, thereby protecting both the Director and the Board.

Financial condition concerns:

The Board's fund equity is extremely low at June 30, 2003 and its revenues declined precipitously during the period that was audited. The fund balance represents less than five percent of the actual expenditures for the fiscal year that ended June 30, 2003.

We recommend that the Board seek additional funding to improve its financial condition. Following are potential opportunities for additional funding:

- Request additional funding from the member municipalities. Current contributions from the member municipalities do not provide enough funding to cover the administrative costs of the Board.
- Submit grant requests to not-for-profit organizations and community foundations.
- Increase program fees to cover more of the administrative costs.